

Testimony of

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before the

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Mr. Chairman and Committee Members, thank you for this opportunity to address you today. I am Director of the Low-Wage Workers and Communities policy area at MDRC, a national nonprofit, nonpartisan social policy research organization based in New York City. I want to share with you some compelling evidence about an employment program that we now know works to increase the earnings of public housing residents. The program is called Jobs-Plus, and it deserves special attention because it is the most carefully evaluated employment initiative ever tried in public housing. It was the focus of a six-city research project sponsored jointly by the U.S. Department of Housing and Urban Development (HUD) and the Rockefeller Foundation, along with a number of other public agencies and private foundations. MDRC conducted the study.

According to MDRC's 2005 evaluation report, *Promoting Work in Public Housing: The Effectiveness of Jobs-Plus*,¹ the program substantially boosted earnings for people in high-poverty housing developments where it was properly implemented. The study offers the first hard evidence that a work-focused intervention based in a public housing environment can effectively promote residents' self-sufficiency.

The earnings effects of the program are particularly significant for at least four reasons: (1) they occurred in high-poverty public housing environments; (2) the effects were substantial and sustained throughout the four-year follow-up period; (3) they occurred for very different types of residents in very different cities; and (4) they occurred in both good economic times and bad.

For policymakers, the findings point to a promising strategy for increasing employment opportunities and self-sufficiency among public housing residents — a longstanding bipartisan goal and one that is enshrined in the federal Quality of Housing and Work Responsibility Act (QHWRA) of 1998.

In my testimony, I would like to tell you about the origins of Jobs-Plus, how we evaluated it, what we found, and what policymakers might consider doing with the results.

Origins of Jobs-Plus

Jobs-Plus was conceived about 10 years ago, in the mid-1990s. It was widely recognized then that problems plaguing inner-city communities were especially acute in many of the nation's public housing developments, which themselves ranked among the most economically deprived neighborhoods in the country, with high rates of joblessness, underemployment, and poverty. In fact, at the time, over half of the nation's 1.2 million units of public housing were located in high-poverty census tracts. Moreover, in some cities, public housing residents were among the hardest people to employ among welfare recipients and other low-income groups. Many residents had poor education and job skills, meager work-relevant credentials, or faced an array of personal problems or circumstances that made it difficult for them to work, or to work steadily.

¹Howard S. Bloom, James A. Riccio, and Nandita Verma. 2005. *Promoting Work in Public Housing: The Effectiveness of Jobs-Plus*. New York: MDRC.

These problems had to be addressed. But how could they be addressed *effectively*? At the time, there was little solid evidence of what might work. Nonetheless, policymakers attempted a range of remedies, which included changing the income mix of populations of public housing developments, moving people out of impoverished developments into low-poverty communities, offering incentives to residents to work, or some combination of these strategies:

- *Replacing public housing with mixed-income housing.* The most far-reaching version of this poverty deconcentration strategy involved tearing down old public housing developments and replacing them with developments that included market-rate and homeownership units alongside subsidized units (as in HOPE VI projects).
- *Recruiting more working families to live in public housing.* Loosening tenant selection rules and preferences, which the QHWRA legislation permitted, was seen as a way to make it easier for working families with higher incomes to move into public housing, thereby diluting the concentration of poor, non-working families in the developments.
- *Relocating and dispersing residents.* This approach involved giving residents Section 8 rental vouchers, which would allow them to move to better neighborhoods and closer to jobs. HUD's Moving to Opportunity demonstration tested a version of this idea by offering public housing residents special rent vouchers that could be redeemed only in very low-poverty communities.
- *Providing employment services to existing residents.* Over the years, HUD has funded a number of self-sufficiency initiatives to help residents living in public housing. Programs like HUD's Step-Up program or Family Self-Sufficiency program are examples of this (although the latter is more commonly targeted toward Section 8 recipients.)
- *Reforming rent rules to encourage residents to work more and to strive for higher earnings.* Under traditional HUD rules, residents pay 30 percent of their adjusted income in rent. According to many housing experts, this policy creates a tax on new earnings that can discourage work. Why should residents try hard to earn more when it will make their rent go up? Congress took some steps to address this problem by including modest rent reforms in the 1998 QHWRA housing legislation, hoping to encourage work. Work-based rent incentives are also a feature of the Family Self-Sufficiency program.

While there was not much research evidence on public housing programs in the mid-1990s to guide policymakers, careful new evaluations of welfare reform — many using random assignment designs, such as those used for drug trials to test the effectiveness and safety of new medicines — were showing that welfare-to-work programs that emphasized services, participation mandates, and, in some cases, “making work pay” through various forms of earnings supplements were having positive effects on welfare recipients’ employment and earnings. In addition, some evidence suggested that welfare recipients living in public housing

or receiving Section 8 rent subsidies were more positively affected by these types of programs than were other welfare recipients.

In general, though, policymakers who cared about helping public housing residents succeed in work had little to go on. Would housing-based service-focused approaches work? Would rent reform work? No one really knew. Such innovations certainly *seemed* sensible, but there was little credible evidence of their effectiveness. The Jobs-Plus demonstration sought to get some answers to these questions.

What Was Different About Jobs-Plus?

Jobs-Plus was not the first employment intervention attempted in public housing, but its scale and scope were unprecedented. And although not all parts of Jobs-Plus were unique, the overall package had never been tried before:

- Assistance with **employment and training services**, conveniently provided *on-site* at a job center located within the housing development.
- **New rent rules** that helped make low-wage work pay by allowing working residents to keep more of their earnings. (This usually took the form of a flat rent, with an income-based rent retained as a safety net option for those who lost jobs and would have difficulty affording the flat rent.)
- A **community support for work** component that involved residents in *neighbor-to-neighbor* information-sharing about work opportunities, rent incentives, and other program benefits.

Jobs-Plus was not a limited-slot program; it targeted *all* working-age, non-disabled residents of the housing development. It attempted to *saturate* the social environment within public housing with work-focused encouragement, information, incentives, and active assistance.

It is important to emphasize that Jobs-Plus was not just a housing authority program. After all, housing authorities were not experts in delivering employment services, nor did they have direct access to the mainline funding streams for such services, which instead were funneled through the welfare-to-work system, or through Workforce Investment Act (WIA) agencies. Therefore, Jobs-Plus was to be accomplished in each city through a local interagency partnership that involved the welfare department and the workforce development agency, along with the housing authority, which provided overall leadership. These partnerships also included resident representatives, whose voice and support were considered essential for such a significant intervention into their communities. Other private social service and employment agencies also participated.

It was clear, of course, why housing authorities would be interested in Jobs-Plus. But, given that the program was focused on public housing residents, why would the welfare and workforce agencies want to become involved? What was in it for them? The simple answer is that, since both the welfare and workforce systems serve significant numbers of public housing residents,

working together with the housing authority should appeal to their own institutional interests. Moreover, when the demonstration was launched, around the time that national welfare reform was enacted in 1996, both systems were under growing pressure to better serve difficult-to-employ, low-income people, many of whom lived in public housing.

The Jobs-Plus Evaluation: A Careful Assessment

Jobs-Plus was subjected to the most in-depth and careful evaluation of any employment program in public housing. MDRC's research tracked more than 5,000 people over six years in Baltimore, Chattanooga, Dayton, Los Angeles, St. Paul, and Seattle. The study compared the results for residents living in developments selected for Jobs-Plus with those of residents living in similar developments that did not participate in the program. Within each city, the selection of the Jobs-Plus and comparison developments was done randomly. In other words, several developments that had residents with very similar demographic profiles were placed into a pool. MDRC then randomly chose one development for Jobs-Plus and allocated another one or two to the comparison group. We were subsequently able to confirm that we were comparing "like" people to "like" people, giving us considerable assurance that we could confidently attribute subsequent differences in employment outcomes — if there were any — to Jobs-Plus.

What Difference Did Jobs-Plus Make?

MDRC's evaluation showed that a work-focused intervention could be successfully implemented in public housing. Where it was well-implemented, Jobs-Plus had substantial positive effects on earnings for quite varied groups. The study's major findings are as follows:

With strong housing authority commitment and willing partners, Jobs-Plus brought a pervasive work focus to life in public housing.

- Four of the six sites (Dayton, Los Angeles, St. Paul, and Seattle) were able to build coherent programs of reasonable quality. They offered the "full package" of Jobs-Plus employment services, rent-based work incentives, and community support for work.
- Although the program was voluntary, a large majority (about three-quarters) of the targeted residents in these four sites made use of its services, rent-based work incentives, or both. In addition, Jobs-Plus reached and counseled many other residents through informal encounters within the housing development, such as when they walked through the courtyard, at community events, or at other activities. In general, these sites infused the developments with work-focused messages.
- All of these sites benefited from unwavering support from senior housing authority officials.
- All of these sites also secured substantial involvement and resources (often in kind) from the local welfare and workforce agencies, as well as substantial participation by

resident leaders. Although often difficult to manage, these partnerships endured for the life of the demonstration.

- In one of the four well-implemented sites (Seattle), Jobs-Plus operations were significantly disrupted after the housing development began the process of relocating residents in preparation for its demolition and rebuilding under a HOPE VI grant. Thus, Jobs-Plus was not sustained here with its previous intensity.
- Two sites (Baltimore and Chattanooga) had difficulty implementing Jobs-Plus, in part because of shifting priorities at the housing authorities and other local factors after the program was launched. Administrative problems led to much lower use of the Jobs-Plus rent incentives in these two sites than elsewhere.

Where properly implemented, Jobs-Plus produced substantial and enduring increases in residents' earnings, even after many of the residents left public housing (and were, therefore, no longer in the program).

The study examined the earnings trends among residents who were living in the Jobs-Plus and comparison developments in 1998. It followed them for several years, even after many had moved out of public housing.

- In the three study sites that fully implemented and sustained the Jobs-Plus program (Dayton, Los Angeles, and St. Paul), Jobs-Plus markedly increased the earnings of residents relative to the comparison group. These earnings gains averaged \$1,141 per year (a 14 percent improvement) over the study's four-year follow-up period. (See Figure 1 and Table 1 at the end of this document for more details.)
- The size of the earnings gains *grew larger over time*, reaching \$1,543 (a 20 percent improvement) in the final year, with no sign of abating.
- Cumulatively over the four years, the earnings gains totaled almost \$4,600 per resident (averaged overall for all residents, including non-workers), and nearly \$6,000 per *working* resident.
- As a result of Jobs-Plus, some residents who were not working began to work, and many residents who were *already* working began to work more consistently, for more hours, or at better-paying jobs than they would have without the program.
- Jobs-Plus also produced earnings gains of 11 percent in a fourth site (Seattle) within the first follow-up year, but this impact dissipated when the Jobs-Plus housing development began its HOPE VI relocation process.
- Jobs-Plus had no earnings effects in the two sites (Baltimore and Chattanooga) where the program was not fully implemented. The poorer experience of these sites points to the importance of properly implementing the full Jobs-Plus model, including the rent-based work incentives.

- Following national trends, welfare receipt dropped substantially for residents both in the Jobs-Plus and comparison developments (Jobs-Plus had no independent effect on welfare receipt).

Impressively, Jobs-Plus’s large positive earnings effects held for a wide range of residents, including men, African-American single mothers, and legal immigrants from many different parts of the world.

- Jobs-Plus increased the average four-year total earnings of Latin American men in Los Angeles by \$12,994 (or 28 percent) and of Southeast Asian men in St. Paul by \$8,517 (or 21 percent). For African-American women in Dayton, Jobs-Plus increased four-year total earnings by \$4,576 (or 16 percent). (See Table 2.)
- Jobs-Plus also produced positive impacts for residents on welfare at the start of the program, as well as for people not on welfare; for residents with more prior employment and those who had worked less; and for both longer-term and shorter-term residents of the developments.

The rent breaks offered by Jobs-Plus encouraged residents to participate in the program and helped them increase their work efforts and earnings.

- The program’s rent-based work incentives held great appeal for residents. And, in fact, only those sites that achieved high take-up rates of the rent breaks produced positive earnings effects.
- Although the rent incentives were key, there is evidence to suggest that the other parts of the Jobs-Plus “package” (e.g., its services and community support for work components) also contributed to the program’s success.

Jobs-Plus costs were modest.

- Although the evaluation did not include a full benefit-cost analysis, the overall government expenditure per person on Jobs-Plus for the 1998 research sample — the amount above the likely “normal” level of government expenditures made to encourage self-sufficiency in the comparison developments — totaled roughly between \$2,000-\$3,000 over four years. This includes the costs of the Jobs-Plus rent incentives. These estimates compare favorably with the per-resident boost in earnings seen in the well-implemented sites (especially considering that the gain in earnings had not diminished by the end of the follow-up period).

Jobs-Plus, when well-implemented, can contribute to the goals of deconcentrating poverty within public housing, especially where resident move-out rates are low.

- Jobs-Plus residents tended to stay in public housing longer in communities with tighter housing markets (e.g., Los Angeles and St. Paul). Thus, the program’s

earnings impacts in these cities helped raise the overall levels of earnings and income among the population of residents living in the development at any given time.

- Where private rental housing was much more affordable (e.g., Dayton), Jobs-Plus residents were quicker to move out than they were in other cities. While this meant that the program's earnings effects were less likely to increase the average year-by-year earnings levels for the development as a whole, it did free up subsidized units more quickly, allowing other poor people to move in and benefit from Jobs-Plus.

Jobs-Plus's positive earnings impacts contrast with the absence of known effects on self-sufficiency from resident relocation programs, such as Moving to Opportunity.

- The effectiveness of Jobs-Plus stands in marked contrast to the absence of labor market effects (at least in the short term) from the alternative approach of relocating public housing residents into private housing in better neighborhoods. As previously mentioned, HUD's Moving to Opportunity (MTO) demonstration tested this idea by offering residents special vouchers to subsidize private housing rents in low-poverty neighborhoods. The interim results from the random assignment test of this approach have shown *no* effects on residents' employment or earnings within the first four years of follow-up. While MTO had other effects, the hoped-for improvements in self-sufficiency outcomes are, so far, not among them.

What are the Implications for Public Policy?

Jobs-Plus offers one way to accomplish a longstanding, bipartisan public policy goal — promoting work among residents of public housing. Moreover, its positive earnings effects show that this initiative can help achieve the self-sufficiency objectives espoused by QHWRRA, the 1998 federal housing reform law.

Jobs-Plus shows, through a real-world test, how a strong work focus can be effectively attached to residency in public housing, even on a voluntary basis.

- The Jobs-Plus research has yielded a bounty of practical lessons and good-practice insights for operating a more streamlined collaboration process, better accountability for program performance, and improved service delivery, all of which could be applied in a replication of the program.
- MDRC's report underscores that success requires the commitment of housing officials to an employment mission for public housing, as well as the active partnership of the welfare and workforce systems and resident leaders.

If the Jobs-Plus strategies were implemented widely and well, they could help thousands of people in very poor public housing communities advance on the road to self-sufficiency.

- The program’s effectiveness across very different types of people and places suggests that Jobs-Plus can “travel well” and help achieve positive work outcomes on a substantial scale if operated in many more communities across the country.
- The Jobs-Plus mission and approach have considerable appeal at the local level. Indeed, many public housing authorities across the country have been inquiring about the findings and lessons from Jobs-Plus. They view the program as one that would address a persistent problem in their communities, and it is likely that they would embrace it quickly if they had the funds to do so.
- MDRC’s report suggests that, at a minimum, in the absence of a fuller replication of Jobs-Plus, the more modest rent incentives that currently exist under the 1998 federal housing law should be fully implemented and aggressively marketed to residents, and perhaps simplified and expanded.

In sum, Jobs-Plus speaks to a wide range of critically important issues, including the feasibility and effectiveness of self-sufficiency as a mission of public housing, the valuable role that rent-based work incentives can play, and strategies for achieving real collaboration between public housing authorities and the welfare and workforce systems. With the evidence of Jobs-Plus’s effectiveness in hand, and in the face of a continuing need to do more to increase work and earnings of residents of some of the nation’s poorest communities, Congress may wish to consider introducing Jobs-Plus in additional public housing developments across the country.

Figure 1

Jobs-Plus's Effects on Earnings:
Pooled Average Quarterly Earnings for Program and Comparison Group Residents
(Stronger Implementation Sites—Dayton, Los Angeles, and St. Paul—Combined; 1998 Cohort)

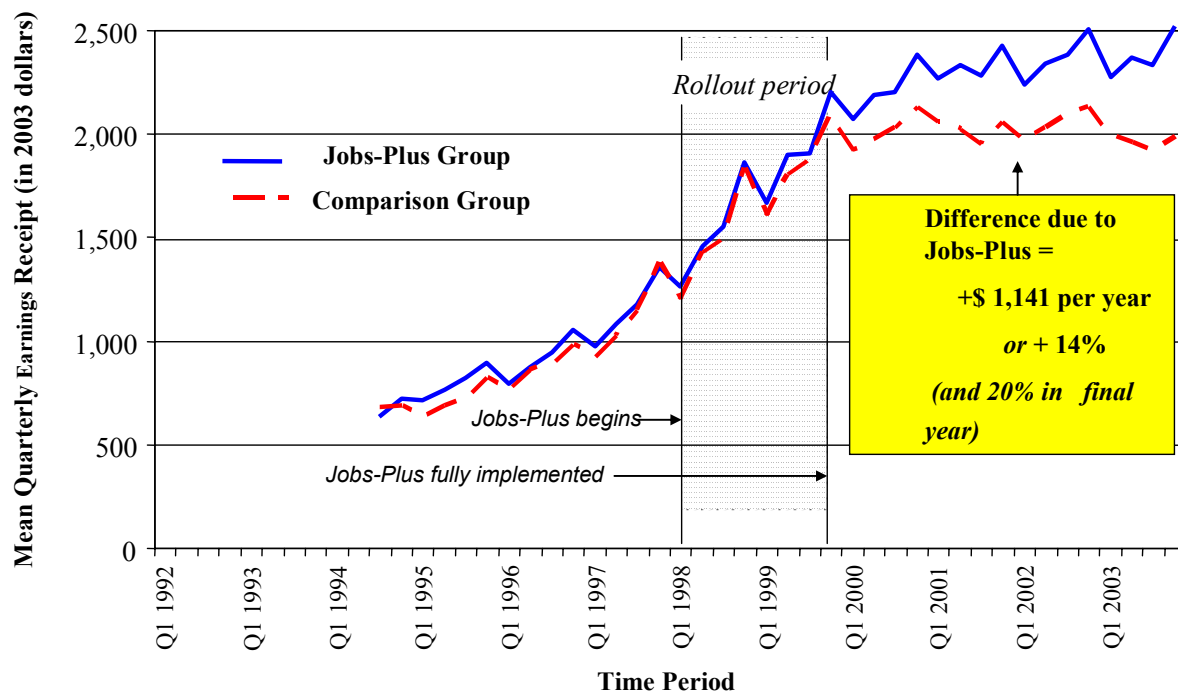


Table 1

**Average Annual Earnings of All Working-Age, Non-Disabled Residents of the
Jobs-Plus and Comparison Developments (1998 Cohort)**

Average Earnings Per Year (2000-2003)				
	Average <u>with</u> Jobs-Plus	Average <u>without</u> Jobs-Plus	Jobs-Plus <u>Impact</u> ("Added value")	% Change due to Jobs-Plus
All Sites	\$8,546	\$8,048	\$ +498	+6%
Stronger Sites <i>(Dayton, Los Angeles, St. Paul)</i>	9,228	8,087	+1,141	+14%
Stronger sites— FINAL YEAR	9,443	7,900	+1,543	+20%

Note: All impacts are statistically significant.

Table 2

Average Annual Effects of Jobs-Plus on Earnings, by Subgroup
(Stronger Implementation Sites Combined; 1998 Cohort)

Subgroup (Status in 1998)	Per Year Impact (2000-2003)	
	\$	% Change
<i>Stronger Implementation Sites:</i>		
Non-TANF Group	1,654	18%
TANF Group	761	11%
Had lived in development less than 4 years	650	8%
Had lived in development more than 4 years	1,818	21%
Had been employed less than 3 of past 8 quarters	1,427	38%
Had been employed at least 3 of past 8 quarters	882	7%
<i>Dayton Only:</i>		
Black women (non-Hispanic)	1,144	16%
<i>Los Angeles Only:</i>		
Hispanic men	3,248	28%
Hispanic women	649	10%
<i>St. Paul Only:</i>		
S.E. Asian men	2,129	21%
S.E. Asian women	1,798	23%

Note: All impacts except those for Hispanic women are statistically significant.